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SUBJECT: ADDENDUM TO "RECREATING THE STATE GRAIN MONOPOLY"

REF: MOSCOW 1969

Classified By: Allan Mustard, AgMinCouns, for reasons 1.4(b) and (d)

11. (C) SUMMARY: This message is a classified supplement to REFTEL. Aside from some personal financial interests in resurrecting the state grain trade monopoly in Russia, a combination of personalities and old-style thinking at the top of Russia's agricultural policy apparatus appear to be pushing the Russian agriculture sector into a giant step backwards. END SUMMARY.

12. (C) REFTEL describes plans afoot in the Ministry of Agriculture to create a quasi-governmental grain trading corporation, replete with infrastructure and assets (including Russia's largest grain export terminal), that is expected to dominate Russia's grain exports. Valeriy Sergachev (strictly protect), a founding director of oilseed processor Efko, told us the move is driven in great part by the sorry financial state of three of Russia's indigenous grain trading companies: OGO, Razgulyay, and Yug Rusi. Razgulyay and Yug Rusi, in particular, have strayed into production agriculture (Razgulyay in rice, wheat and barley, Yug Rusi in wheat and barley) only to learn that tying up one's finances for months on end in acquisition of inputs hurts the bottom line. Sergachev and others have told us Agriculture Minister Aleksey Gordeyev owns personal stakes in Razgulyay and Yug Rusi and thus is not averse to a government intervention that could rescue his financial interests.

13. (C) That said, it appears the initiative for resurrecting Roskhleboprodukt in the 21st century came from two sources outside the Ministry of Agriculture. Vladimir Loginov (strictly protect), head of Soyuzplodoimport and a former deputy minister of agriculture who is very close to Gordeyev, told us Deputy Prime Minister Viktor Zubkov (a former state farm director) and Igor Rudenya, one of Zubkov's top staffers and a former deputy minister of agriculture, are the prime movers of renationalizing grain trade. Rudenya in particular is key, Loginov said, for he is close to the last head of Roskhleboprodukt before it was dissolved, Leonid Cheshinskiy (NOTE: In fact, we have heard elsewhere that Rudenya is Cheshinskiy's nephew. END NOTE). We are also hearing that the grain trading corporation will be headed by Vladimir Kayshev, one of Gordeyev's right-hand men.

14. (C) There is little doubt that the state grain trading corporation will be created. According to Sergachev, the effort has been underway since August 2007 and as of this spring the concept had "passed second reading in the State Property Agency (Rosimushchestvo)."

15. (C) COMMENT: The Medvedev government has talked a good game on economic reform, especially a reduced role for the state in the economy. While there has been relatively little action so far backing up the rhetoric, this latest development, along with aggressive acquisition programs on the part of Rostekhnologi and other state corporations, would seem to indicate that certain actors are making hay while the sun shines, i.e., taking actions now -- such as completing a nationalization begun last August -- before Medvedev might be able to put a stop to them.

BEYRLE